

MENOKEN TOWNSHIP
FINANCIAL STATEMENT
For The Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Menoken Township
Topeka, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Menoken Township, Topeka, Kansas, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Menoken Township to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Menoken Township as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Menoken Township as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis cash receipts and expenditures-actual and budget, (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. This information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Groff & Berry

November 11, 2015

MENOKEN TOWNSHIP
Topeka, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add:		Ending Unencumbered Cash Balance
					Outstanding Encumbrances and Accounts Payable		
General fund	\$ 346,549	\$ 448,873	\$ 346,118	\$ 449,304	\$ 1,798	\$	451,102
	<u>\$ 346,549</u>	<u>\$ 448,873</u>	<u>\$ 346,118</u>	<u>\$ 449,304</u>	<u>\$ 1,798</u>	\$	<u>451,102</u>
Composition of cash:							
Capital City Bank, Topeka, Kansas:					\$ 404,967		
Checking Account-Public Funds- NOW					-		
Add: deposit					20,675	\$	384,292
Less: outstanding warrants							66,810
Public Funds-Money Market						\$	451,102
Total composition of cash							

The notes to the financial statement are an integral part of this statement.

MENOKEN TOWNSHIP

NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2014

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

Menoken Township, Shawnee County, Kansas, was organized by the Shawnee County Commissioners on July 1, 1879, in accordance with K.S.A. 80-101, et seq.

The Township is governed by a three-member Board of Trustees elected by the residents. The regulatory financial statement presents all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

(b) KMAAG Regulatory Basis of Presentation Fund Definitions

General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

(c) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

MENOKEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year 2014.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

MENOKEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Budgetary Information (Continued)

Spending in funds, which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Compliance with Kansas Cash Basis Law

No violations.

(b) Compliance with Kansas Budget Law

No violations.

(c) Compliance with Kansas Depository Security Law

No violations.

3 - DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Township has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Township's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Township may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

MENOKEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(Continued)

3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State statutes require the Township's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2014.

At December 31, 2014, the Township's carrying amount of deposits was \$ 451,102 and the bank balance was \$ 471,777. The bank balance was held by one bank resulting in a concentration of credit risk of the bank balance; \$ 250,000 was covered by federal deposit insurance and \$ 221,777 was collateralized with securities held by the pledging bank's agents on a custody receipt naming the Township, in the amount of \$ 593,218.

4 - PENSION COSTS AND EMPLOYEE BENEFITS

(a) Defined Benefit Pension Plan

Plan description. The Township contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2014 was 9.69%. The Township employer contributions to KPERS for the year ending December 31, 2014 was equal to the regulatory required contributions for each year as set forth by the legislature.

MENOKEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(Continued)

4 - PENSION COSTS AND EMPLOYEE BENEFITS (Continued)

(b) Vacation and Sick Pay

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position. Although the Township does not have a written policy in place, it is the practice of the Board of Trustees to pay employees' accrued sick pay upon termination of employment, subject to the maximum hours of accumulation authorization of 250 hours.

5 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and other events for which the Township carries commercial insurance.

6 - SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 11, 2015.

7 - RELATED PARTY TRANSACTIONS

The Township paid \$ 1,826 during the year ended December 31, 2014, to the children of a trustee of the Township for cemetery services.

MENOKEN TOWNSHIP
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

MENOKEN TOWNSHIP
Topeka, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
(BUDGETED FUNDS ONLY)
For the Year Ended December 31, 2014

<u>Fund</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General fund	\$ <u>467,674</u>	\$ <u>346,118</u>	\$ <u>121,556</u>

See Independent Auditor's Report.

MENOKEN TOWNSHIP
Topeka, Kansas

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	<u>Current Year</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>General Fund</u>			
Cash receipts:			
Taxes and shared revenue:			
Ad valorem property tax	\$ 305,041	\$ 310,165	\$ (5,124)
Delinquent tax	2,456	-	2,456
Motor vehicle tax	34,766	27,312	7,454
16/20 tax	970	850	120
Recreational vehicle tax	675	515	160
Special City and County Highway tax	43,033	35,426	7,607
Cemetery fees	60,285	-	60,285
Miscellaneous	1,295	-	1,295
Interest income	352	-	352
Total cash receipts	<u>448,873</u>	<u>\$ 374,268</u>	<u>\$ 74,605</u>
Expenditures:			
Personal services	136,001	\$ 141,425	\$ 5,424
Operating expenses	21,992	68,650	46,658
Road materials	137,639	192,599	54,960
Cemetery	22,350	13,000	(9,350)
Insurance	15,636	22,000	6,364
Equipment	12,500	30,000	17,500
Total expenditures	<u>346,118</u>	<u>\$ 467,674</u>	<u>\$ 121,556</u>
Receipts over (under) expenditures and transfers	102,755		
Unencumbered cash, beginning of year	<u>346,549</u>		
Unencumbered cash, end of year	<u>\$ 449,304</u>		

See Independent Auditor's Report.